



# Navigating SMSFs: A roadmap to help you take control of your retirement savings

Are you in control of your retirement savings to fund the lifestyle you want and deserve in your retirement years?

Whether you're considering setting up an SMSF, you're managing your portfolio to maximize retirement savings, or you're transitioning your SMSF into drawing a retirement income – it's critical that you're well informed and advised.

The SMSF Association can help you navigate the road to taking control of and maximizing your retirement savings. This roadmap puts the spotlight on the key insights from our report: *SMSF Investor Insights – Discussing key myths surrounding SMSFs*, to help you on your journey to retirement security.



## Thinking of starting an SMSF?

You don't have to be an investment expert to establish an SMSF, but you do need the time and financial knowledge to take control of your retirement savings and outcomes.



### THE CHANGING FACE OF SMSFS

The idea that SMSFs are only for older, richer, more affluent Australians is now far from the reality.

What does the average SMSF look like today?

**48YRS** Average age of Australians setting up SMSFs ↓ from **53** around a decade ago.

**\$400k** Average balance when setting up an SMSF ↓ from \$580,000 around a decade ago.

### TOP 3 REASONS FOR SETTING UP AN SMSF:

1. Taking more control of my investments
2. Wanted to choose specific shares to invest in
3. Advice from my accountants

### THE \$1 MILLION FALLACY

SMSFs do not need \$1 million to be cost effective, in fact, far from it.

**\$200k** The commonly accepted point SMSFs can be cost effective depending on circumstances.

**64%** of SMSF Association members believe \$200k - \$300k is an appropriate balance for a 2-member SMSF.

The key to success is the right assistance from the start, not when you hit a certain number.

### KNOW YOUR OBLIGATIONS

An SMSF doesn't mean doing everything on your own – in fact, an SMSF should always be set up with professional advice.

Do your research and get advice to understand your obligations, including:

- Sole purposes test
- Trustee duties
- Administration of the fund
- Investment rules
- Paying benefits to members

### STEPS TO TAKE WHEN ESTABLISHING AN SMSF:

- Deciding on a trustee structure
- Establishing the trust with a nominal asset and suitable trust deed.
- Registering the fund with the ATO
- Preparing an investment strategy
- Preparing an exit strategy and what will occur in the case of unexpected events

Ready to learn more about setting up and managing your own super? Learn more with these tools:

### DOWNLOAD ↓

#### CHECKLIST

Your comprehensive checklist to running your SMSF

#### WEBINAR

Can I really manage my own super?

#### FIND A SPECIALIST

### FOOTNOTES

<sup>1</sup><https://www.smsfassociation.com/smsf-association-productivity-commission-draft-report-submission/>

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## Accumulating wealth for retirement

Remember: Control is what drives most people to establish an SMSF. A hunger for advice and insights is usually what drives the accumulation of wealth within an SMSF.



### BRIDGE THE DIVERSIFICATION GAP

#### Warning

**53%** Of SMSFs cite barriers to achieving diversification.

**47%** Of SMSFs have over half of their portfolio invested in one investment type.

**82%** Of SMSFs believe diversification is important, but in practice many do not achieve it.

Emerging technology, tools and platforms such as **OpenInvest** mean there are no barriers today for SMSFs to achieve true diversification.

### DON'T GO IT ALONE: CREATE AN ADVICE TEAM

The most effective SMSFs have a team of advisors because not all advisors are the same and not all advice needs are the same.

**79%** Of SMSFs use an adviser

**37%** Of SMSFs have more than one adviser<sup>2</sup>

### EXPERTS TO CONSIDER INCLUDING IN YOUR SMSF TEAM:

- Accountants and tax agent
- Financial planner
- Auditor
- Lawyer
- SMSF Administrator
- Investment experts

### REDUCE COSTS AND INCREASE WEALTH

SMSFs with \$200,000 or more = equivalent value to industry and retail funds provided you do some of the administration<sup>3</sup>.

Over time, even relatively minor savings in fees and costs can create significant differences in your returns and can help generate a buffer against market declines.

### PREPARE FOR CHANGE

**27%** Close to 1 in 3 (27%) SMSFs say that regulatory uncertainty is the biggest challenge in managing an SMSF.

*Proposed changes by labor to remove franking credit refunds could turn the world of self-funded retirees upside down.*

**60%** of SMSFs aged 65+ plan to invest in blue chip shares in the next 12 months, the exact type of shares that will be impacted the most by the removal of franking credit refunds.

Learn more about how to get the most out of your SMSF and prepare for the future:

### DOWNLOAD ↓

#### PLANNER

The monthly tasks you need to consider for your SMSF

#### INSIGHT PAPER

Make sure your SMSF is covered when it comes to unexpected events

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### FOOTNOTES

<sup>2</sup>[https://trustees.smsfassociation.com/wp-content/uploads/2017/04/SMSF0013.ThoughtLeadership\\_Report\\_FINAL-REPORT-3-Apr.pdf](https://trustees.smsfassociation.com/wp-content/uploads/2017/04/SMSF0013.ThoughtLeadership_Report_FINAL-REPORT-3-Apr.pdf)  
<sup>3</sup><https://download.asic.gov.au/media/1336058/cp216-RiceWarner-cost-of-operating-smsfs.pdf>

# About to – or have already - retired

Remember: Ensuring a sustainable income stream in retirement is achievable, but the devil is in the planning detail.



### YOU'RE NOT ALONE

**47%** Of SMSFs are in retirement phase, as of June 2016

The Top 4 topics that SMSFs are seeking advice on are:

1. Tax and Super
2. Investment Selection
3. Post-retirement planning
4. Retirement strategies

### INVESTMENT GOAL POSTS WILL SHIFT

**58%** of retired SMSFs state 'Building a sustainable income stream' or 'Protecting existing assets' as their main investment goal

**10%** Only 10% focused on maximizing capital growth in their retired years.

### Get the Right Balance between:

- the need to draw an income,
- maintain access to capital, and;
- manage longevity risk.

**36%** Only 36% of SMSFs have made substantial asset allocation changes in the last 12 months.

*It is important to review your portfolio construction as you transition into retirement. Appetite for risk may be less, but maintaining some capital growth will help your money last longer.*

### IT'S TIME TO DRAW-DOWN

Ensure your SMSF allows for:

- Payments to be paid as required – e.g. lump sum or pension payment
- At the right time or frequency
- Pays the right annual minimum amount

### Warning

If your SMSF does not meet these requirements the tax exemption applying to income and capital gains from assets supporting the pension will generally cease from the start of the income year (other consequences could also apply).

*As many retirees pay little or no income tax outside super, it's worthwhile considering how super's tax compares to your personal tax rate.*

### YOU MAY HAVE A BUCKET LIST, BUT HAVE YOU MADE A VOLATILITY CASH BUCKET?

A cash bucket – figuratively speaking – is a risk mitigation tool to maintain an income in times of market volatility.

**2-3yrs** of living expenses is the general value of a volatility-and-downturn cash bucket. Unspent income from stronger performing years can be used to top-up the bucket<sup>4</sup>.

*Keep the age pension in mind if applicable when determining the size of your cash bucket.*

Read more tips and advice on how to manage an SMSF in retirement:

### DOWNLOAD ↓

#### INSIGHT PAPER

Are you within the \$1.6 million transfer balance cap?

#### INSIGHT PAPER

How to develop an SMSF estate plan that works for you

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### FOOTNOTES

<sup>4</sup><https://trustees.smsfassociation.com/topic/retiree-self-protection-a-volatility-and-downturn-bucket/>